

# TAX INFO

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Latest update on GST Law: Information regarding ‘A la carte’ services relating to employee relocation is neither a composite nor a mixed supply based on the Judgement issued by Karnataka Appellate Authority for Advance Ruling.

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## **‘A la carte’ services relating to employee relocation is neither a composite nor a mixed supply**

<b>Case Name</b>	In re Cartus India Private Limited
<b>Name of Court</b>	Karnataka Appellate Authority for Advance Ruling
<b>Appeal Number</b>	Order No. KAR/AAAR-14-C/2019-20
<b>Date of Judgement</b>	09/02/2020

### **Facts of the Case:**

Appellant is a private limited company, engaged in supply of ‘Relocation Management Service’ to its clients located in India, which primarily involves facilitation/ administration/ management of relocation of client’s employees from one location to another. Appellant has a right to engage third party contractors. However, there is a principal-to-principal contract and Appellant remains fully liable for efficient execution of the services including services provided by third party vendor to the clients. The actual services of relocation are provided by the Appellant and the third party suppliers, supplement the services to be provided to the client by the Appellant. In other words, there is no facilitation or arranging of services by another person to its client. Appellant approached the Authority for Advance Ruling (AAR) seeking a ruling on the following question:

“Whether the gamut of services collectively referred to as “Relocation Management Service” provided by the applicant would constitute as a composite supply or a mixed supply for the purpose of taxability under GST?”

### **Observations of AAR:**

the actual supply of relocation services is between the third parties to the Company and the invoicing is also done to the Company by the third parties, the Appellant submitted that the dominant intention is the rendition of relocation services in purview of which various other services i.e. visa facilitation, transportation services, temporary hotel accommodation services are rendered. These services are ancillary services directed towards relocating an employee. Appellant advertises and provides these services in form of a package and no individual services are rendered. The client also expects that these services should be provided in a package. The manner in which a service is perceived in common parlance and the way it is advertised are instrumental in determining the classification. Hence, it appears appropriate that these services be classified as a composite supply.

### **Ruling by AAR:**

The AAR vide its order dated 27 September 2019 gave the following ruling:

1. The services supplied by the applicant do not constitute a composite supply and would be a mixed supply, when the services are billed for a single price in case where the relocation related services are actually provided by them.
2. The services provided to the company as an agent are “management support services of relocation related services” which is a single service covered under SAC 9985 and is covered under entry 23(H) of Notification No 11/2017-Central Tax (Rate) dated 28.06.2017.

Aggrieved by the said ruling, the appellant has filed this appeal

### **Contention of Appellant:**

The Appellant offers a compact service of relocating the client's employee from one country to another. The necessity lies in the complete movement, transfer and settlement of such employee in a new country. Thus, the gamut of services collectively forms the provision of a single supply of relocation of client's employees. The Appellant also submitted that the impugned order has incorrectly recorded as a finding that, "each service has a separate service fees and the services are separately classifiable and if such services are billed in common invoice that does not amount to a naturally bundled supply and hence the same is not a composite supply.

They submitted that they are not engaged in rendering of individual and independent supplies of services to its clients. Rather, the services discernable as independent in the RSA/SOW are available as a part and parcel of the programs offered under the Relocation Management Service. Further, the Appellant's nature of business is of assisting clients in relocation of employees. To fulfil the same, a host of ancillary services are provided, i.e. arranging for employees' travel, temporary accommodation in a hotel, visa facilitation charges, etc. However, none of these services are provided on a stand-alone basis. Therefore, supply of Relocation Management Service should not qualify as a mixed supply since the same is composite in nature. Thus, under a mixed supply, none of the individual supplies would act as a dominant supply

**Observations of AAAR:**

The Appellant has placed two documents which provide an understanding of the nature and scope of the Appellant's work and the manner in which the services are provided by them. The following two documents viz. (a) The Relocation Service Agreement (RAS) dated 14th November 2011 and (b) the Statement of Work (SOW) dated 28th Dec 2009 are agreements entered into by the appellant with two different clients for the purpose of providing the employee relocation service. They have gone through these two documents in detail. They found that in both cases, the Appellant has been engaged by their clients to provide relocation services for the employees of the client it is only with respect to the services provided by the appellant in his capacity as a service provider which are to be considered for determining whether the same is a composite supply or mixed supply.

The a la carte services chosen by the client is based on the requirement of client's employees and various factors viz. employee title, family make up, to/from location, etc. For example, based on the employee requirement, the client may choose only the visa services, global transportation coordination, storage management and destination service inbound whereas in the case of another employee, the client may opt for only global transportation coordination service and storage management service. This proves that the list of services which constitute a part of the relocation management service are not naturally bundled. They are bundled based on the requirement of the client. Therefore, they do not agree that the supply of a la carte services by the appellant for employee relocation constitutes a composite supply. It is simply a case of the appellant supplying different taxable services as part of his mandate to manage, administer and facilitate employee relocation. The package advertised by the appellate has a combination of certain basic services like Policy Counselling, home search, settling in, temporary living and travel coordination, together with immigration, car, school added to the package. The entire combination of services is charged to a single price. Therefore, such package of bundled services is a mixed supply in terms of GST law and is to be taxed accordingly.

**Order of AAAR:**

The package of bundled services supplied by the appellant for a single price in terms of the RSA and SOW is a mixed supply in terms of Section 2(74) of the CGST Act, 2017 and the taxability of the mixed supply will be determined in terms of Section 8 (b) of the said Act. The 'a la carte' service provided by the appellant relating to employee relocation is neither a composite supply nor a mixed supply. The observations made by the Lower Authority in the impugned order to the effect that the service provided by the appellant is covered under the definition of "intermediary" is expunged as being beyond the mandate of the Authority in the instant case.

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